Why Canadian Boomers Over 50 Are Worried About Retirement

Description

If you're worried about retirement, you're not alone. According to a recent poll by the **Royal Bank of Canada**, Canadian boomers over 50 years old share one big retirement concern. Regardless of their personal wealth, most Canadians simply believe they haven't saved enough money.

The details are concerning. One average, Canadians over 50 with investable assets of less than $100,000 want to save $574,000 for retirement, yet are more than $500,000 short of their goal. Those with investable assets of $100,000 or more are aiming to save $949,000, yet are still $275,000 short.

"When you peel back the layers, many boomers worry about their savings shortfall because they just don't know where to start," noted RBC's Rick Lowes. "The best approach is to start with expectations including: the lifestyle you hope to lead in retirement, retirement income options, and then build a plan to get you there."

If you're one of the millions of Canadians that are hoping to save more money in 2020, now's your chance. Here are three proven ways to up your contributions in the years ahead.

Go automatic

If you're not making automatic contributions, you're missing out. That's because going automatic is the most proven way to up your retirement savings. Here's how it works. Nearly every brokerage account allows you to set-up recurring deposits, which takes a certain amount of money from your bank account and regularly deposits it into your investment accounts. For example, you might have $400 per month automatically deposited into your retirement account.

While this sounds simple, it's surprisingly effective. That's because it takes advantage of what behavioural psychology calls the "default option."

Humans typically go with the default option; that is, the option that requires the least amount of effort. It takes effort to manually deposit money into your investment account each month. But if you have automatic deposits, it takes effort *not* to contribute new funds, because you'd have to go into the system and change your preferences. Hack human laziness and set up automatic contributions today.

Do future math

I recently laid out the magic of future math. What is future math? “It’s not figuring out what you have today,” I explained, “but what you’ll have years down the road. It instantly turns a few hundred dollars into thousands of dollars.” There are plenty of future value calculators available on the internet that let you predict how much your money will be worth later on.

For example, if you’re 30 years old and are looking to save $5,000 this year, that may not seem like much. But after compounding that capital for three decades at the long-term stock market average of 8% per year, it’ll eventually be worth around $50,000! It’s a lot easier to save that $5,000 when you know you’re actually saving $50,000 in future money. Use this simple trick to reinforce how valuable your regular contributions are.

Keep it simple

The final trick to increase your annual contributions is to keep your portfolio simple. There are plenty of high-growth, get-rich-quick opportunities, but the underlying volatility can make you wary of putting more capital to work.

Low-volatility stocks like **Hydro One** can make you confident about making additional contributions. That’s because Hydro One’s business is regulated, meaning its underlying profits and cash flows are surprisingly consistent. Plus, you’ll earn an annual 4% dividend simply by owning the stock.

Low-volatility stocks won’t make you rich overnight, but it’ll reinforce that your contributions are generating real long-term wealth. Stocks like these are critical for investor confidence, especially after age 50.

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